



AUDIT AND RISK COMMITTEE

18 November 2024

SECOND DESPATCH

Please find enclosed the following items:

Item 2 Value for Money Risk Assessment - Council

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Meeting: Audit and Risk Committee
Meeting Date: 18 November 2024
Publication: Open
Council Priority: All 5 missions
Wards: All
Report of: Corporate Director of Resources

Subject:

**2023/24 Report of the External Auditor KPMG
Value for Money Risk Assessment - Council**

1. Recommendations

The Committee are asked to:

- 1.1. To note KPMG's 2023/24 Value for Money Risk Assessment Report for Islington Council (Appendix 1).

2. Report summary

- 2.1. This cover report presents an external auditor report on 2023/24 Value for Money Risk Assessment for the Council which will contribute towards the final external auditor annual report. Due to the ongoing nature of the external audit of the Council's draft 2023/24 Statement of Accounts and Pension Fund, the remaining 2023/24 key audit outputs from the external audit will be reported to the 28 January 2025 Audit and Risk Committee.
- 2.2. KPMG external auditor's 2023/24 value for money risk assessment report considers and provides an assessment of whether there is a significant risk that

appropriate arrangements are not in place to achieve value for money for three domains (areas):

- (1) financial sustainability
- (2) governance, and
- (3) improving economy, efficiency and effectiveness

This is a risk assessment report (Appendix 1) and further audit work on the subject of Housing Services will be required before final conclusions on value for money are reported in the KPMG final annual auditor report in due course.

2.3. Indicative value for money risk conclusions are presented in the executive summary in the report (Appendix 1). There has been an indicative no change in the risk rating of (1) financial sustainability to “no significant risk identified” compared with 2022/23. There has been a significant risk identified compared with 2022/23 in 2 areas: (2) governance and (3) improving economy, efficiency and effectiveness criteria with “one significant risk identified.” This is illustrated by a report extract and is subject to further audit work:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	One significant risk identified
Improving economy, efficiency and effectiveness	One significant risk identified

2.4. The VFM risk assessment highlights one improvement recommendation to those charged with governance.

KPMG have identified a significant risk associated with governance, specifically arrangements over the governance and oversight over housing management. Additional procedures will be performed as a result as detailed in section 3. KMPG have identified an improvement opportunity which does not represent a significant weakness as below:

Risk assessment conclusion (VFM): During their review, KPMG have noticed that the Council do not have formal tender waiver policy and as such do not maintain a tender waiver register. KPMG would recommend that the Council should establish tender waiver policy and formalise documentation of contract

exceptions to ensure greater transparency and compliance with the procurement rules.

- 2.5. The Economy, Efficiency and Effectiveness VFM risk assessment highlights the steps performed to those charged with governance.

Risk assessment conclusion (3 E's): Based on the risk assessment procedures performed, KPMG have identified a significant risk associated with improving economy, efficiency and effectiveness in respect of aspects of the Council's housing services.

3. Details

- 3.1. Value for Money risk assessment external auditor outputs are reported in accordance with the National Audit Office Code of Audit Practice. KPMG external auditors have a responsibility to conclude on significant weaknesses in value for money arrangements. The main output from KPMG is a narrative on each of the three domains (areas) of Financial Sustainability, Governance, Economy, Efficiency and Effectiveness, summarising the work performed, any significant weaknesses and any recommendations for improvement.
- 3.2. Appendix 1 is a risk assessment report and further audit work on Housing Services will be required before final conclusions on value for money are reported in the KPMG final annual auditor report in due course.
- 3.3. KPMG external auditor's 2023/24 value for money risk assessment report considers and provides an assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money for three domains (areas).
 - 3.3.1. Indicative value for money risk conclusions are presented in the executive summary in the report (Appendix 1). There has been an indicative no change in the risk rating of (1) financial sustainability to "no significant risk identified" compared with 2022/23. There has been a significant risk identified compared with 2022/23 in 2 areas: (2) governance and (3) improving economy, efficiency and effectiveness criteria with "one significant risk identified." This is illustrated by a report extract and is subject to further audit work:

Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	One significant risk identified
Improving economy, efficiency and effectiveness	One significant risk identified

3.4. At this stage it will not be possible to make a direct comparison with Grant Thornton’s 2022/23 VFM conclusions until further audit work is completed. By way of background, the final VFM conclusions reached for 2022/23 were (1) financial sustainability “no significant weaknesses in arrangements identified, but improvements recommendations made”. In 2 areas: (2) governance and (3) improving economy, efficiency and effectiveness criteria with “no significant weaknesses in arrangements identified or improvement recommendations made.” This is illustrated by an extract:

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but improvement recommendation made to further enhance reporting of savings to Members	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↔
Governance	No risks of significant weakness identified	G We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G We have not identified any significant weaknesses in the area and our work did not identify any areas where we considered that improvement recommendations were required	A No significant weaknesses in arrangements identified, but an improvement recommendation made	↑

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

- 3.4.1. To note that the 2022/23 improvement recommendation to enhance reporting of savings to members has been implemented.

2022/23 External Audit: Financial Sustainability improvement recommendation	Update on actions
<p>There should be enhanced reporting on savings delivery to Members to show progress on the delivery of savings plans including figures for expected savings and actual savings achieved to date.</p> <p>The council should improve the clarity of the reports on savings delivery to clearly state what level of savings have been achieved at outturn. Without this, Members may not have clear sight over how expected savings are progressing.</p>	<p>Implemented.</p> <p>In the quarterly budget monitoring there is now a section in each directorate's position that flags any non-delivery or delay on savings, and there is a savings delivery tracker appendix showing the status of all in-year savings.</p>

- 3.5. The **Governance Value for Money risk assessment** highlights one improvement recommendation to those charged with governance.

- 3.5.1. Based on the risk assessment procedures performed to date, KPMG have identified a significant risk associated with governance, specifically arrangements over the governance and oversight over housing management. Additional procedures will be performed as a result. KMPG have identified an improvement opportunity, which they will formally report in their year-end report for the audit. This does not represent a significant weakness.

- 3.5.2. **Risk assessment conclusion (VFM):** During their review, KPMG have noticed that the Council do not have formal tender waiver policy and as such do not maintain a tender waiver register. KPMG would recommend that the Council should establish tender waiver policy and formalise documentation of contract exceptions to ensure greater transparency and compliance with the procurement rules.

- 3.6. The **Economy, Efficiency and Effectiveness VFM risk assessment** highlights the steps performed to those charged with governance.

- 3.6.1. **Risk assessment conclusion (3 E's):** Based on the risk assessment procedures performed, KPMG have identified a significant risk associated with improving economy, efficiency and effectiveness in respect of aspects of the Council's housing services.

3.6.2. KPMG will perform the following procedures to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money:

1. Undertake a detailed understanding of the issues raised in the report, with the support of management, linking these to underlying arrangements at the Council.
2. Understand the extent of the impact on the core arrangements to secure value for money.
3. Understand the Council's response to the issues raised and progress made addressing issues impacting on the Council's arrangements.

3.7. **Islington Council Housing Services View**

The VFM risk assessment report identifies risks related to the Housing Ombudsman Service report into the council published in October 2023.

- 3.7.1. The report of the Housing Ombudsman itself acknowledged the significant work the Council was already undertaking at that point to take action and improve services on many of the issues that Ombudsman were raising. The Council fully embraced the feedback on our services and the opportunity to drive improvement through a 87 point action plan, in response to the 21 recommendations within the report. Earlier this year, following a review of evidence by the Housing Ombudsman senior investigators, they confirmed that they were satisfied with our progress and plans for improvement and did not require any further follow up from the Council. We were also invited to feedback to them on our experience of the investigation to support their organisational learning.
- 3.7.2. The Homes and Communities Scrutiny Committee have been kept informed on progress throughout the investigation and action plan delivery and received a final report on completion of the action plan in October 2024.
- 3.7.3. The Housing Ombudsman Service works alongside the Regulator of Social Housing and the Building Safety Regulator to regulate social housing landlords and the management of higher-risk buildings. The Council underwent a pilot inspection process by the Regulator of Social Housing during the summer of 2023, to support the development of the new inspection framework. As part of this process the Regulator engaged with the Housing Ombudsman Service as part of this process and provided the council with feedback on how we would have been judged, should the inspection have been a real one. The feedback was that from their assessment the Council would have been working at a C2 level, working towards full C1 compliance, with some areas for improvement. The feedback was that the Council was self-aware about its weaker areas and was taking

improvement action to address these and had considerable areas of strengthen in some of the key areas under review, such as building and fire safety.

- 3.7.4. Our Building Safety Board and Service Improvement Board are closely monitoring our work to ensure we are delivering compliant and good quality landlord services. We are working with partners and other landlords to improve and benchmark our services and seek out good practice. We will continue to do so through these groups to ensure we meet the regulatory requirements on social landlords and the expectations of our residents. These include areas that were within the scope of the Housing Ombudsman Service investigation. An example of this is the restructure of our housing management service, delivering services to 25,000 tenants and over 10,000 leaseholders. The restructure has been informed by over 80 community drop-ins and staff consultation is underway and the delivery of the new structure will start from the end of November.
- 3.8. Audit and Risk Committee is responsible in accordance with the Council's Constitution for approving the overall Statement of Accounts including the Pension Fund. The timeline for this has moved to the 28 January 2025 Audit and Risk Committee.
4. Other options considered and the reasons for recommending this proposal
 - 4.1. Not applicable.
5. Key impacts and risks of the proposal
 - 5.1. Not applicable.
6. Contribution to the Islington Together 2030 Plan
 - 6.1. Full contribution to the objectives in the Islington Together 2030 Plan.
7. Consultation and community engagement
 - 7.1. Not applicable.
8. Implications

8.1. Financial Implications

- 8.1.1. The PSAA¹ prescribed 2023/24 audit scale fee² was £494,292 for the council and £84,723 for the Pension Fund plus VAT. This does not include any fee variations from KPMG, nor any additional prior year costs from Grant Thornton external auditors. The scale fees agreed with the PSAA do not take into account the impact of an international standard on auditing ISA315³ Identifying and Assessing the Risks of Material Misstatement (Revised). KPMG auditors are in the process of agreeing this with the Council and submitting this for PSAA approval.

8.2. Legal Implications

- 8.2.1. The Council must keep adequate accounting records and prepare an annual Statement of Accounts (3(3)) Local Audit and Accountability Act 2014. The Accounts and Audit Regulations 2015 (SI 2015/234) set out detailed requirements for the preparation, approval and publication of the Statement of Accounts (as amended by The Accounts and Audit (Amendment) Regulations 2021).
- 8.2.2. Under the National Audit Office Code of Practice Regulations, external auditors are required to make a Value for Money assessment to verify that the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

8.3. Climate Change and Environmental Implications

- 8.3.1. There are no climate change and environmental implications arising from this report.

8.4. Equalities Impact Assessment

- 8.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and

¹ Public Sector Auditor Appointments (PSAA)

² [Published and agreed SAA Audit Fees 2023/24](#)

³ International standard on auditing

promote understanding.

- 8.5. An Equalities Impact Assessment Screening was completed. A full Equalities Impact Assessment is not required in relation to this report since this agenda item provides independent views from an external auditor (KPMG).

9. Timetable for implementation

- 9.1. Not applicable.

Appendices: No appendices are exempt from publication.

- (1) Value for Money Risk Assessment - Council

Relevant decisions / reports:

[Agenda for Audit and Risk Committee on Monday, 18th March, 2024, 7.00 pm | Democracy in Islington](#)

[Agenda for Audit and Risk Committee on Tuesday, 21st May, 2024, 7.00 pm | Democracy in Islington](#)

[Agenda for Audit and Risk Committee on Monday, 16th September, 2024, 7.00 pm | Democracy in Islington](#)

Background papers:

<https://www.islington.gov.uk/about-the-council/funding-and-spending/statement-of-accounts>

Report approval:

Authorised by:

Dave Hodgkinson, **Corporate Director of Resources**

Date: 12 November 2024

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Islington Council

DRAFT - Report to the Audit and Risk Committee

VFM risk assessment for the year ending 31 March 2024

November 2024

Introduction

To the Audit and Risk Committee of Islington Council

We are pleased to have the opportunity to meet with you on 18 November 2024 to discuss our audit of the financial statements of Islington Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this risk assessment will remain draft until the finalisation of that Code.

This report outlines risk assessment for our VFM responsibilities. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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The engagement team

Rashpal Khangura (CPFA) is the engagement director on the audit. He has over 20 years of public sector audit experience.

Rashpal shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Badar Abbas (Senior Manager) and Anna Lord (Assistant Manager) with 13 years and 5 years of experience respectively.

Yours sincerely,

Rashpal Khangura

Director - KPMG LLP

12 November 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of [entity name] and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

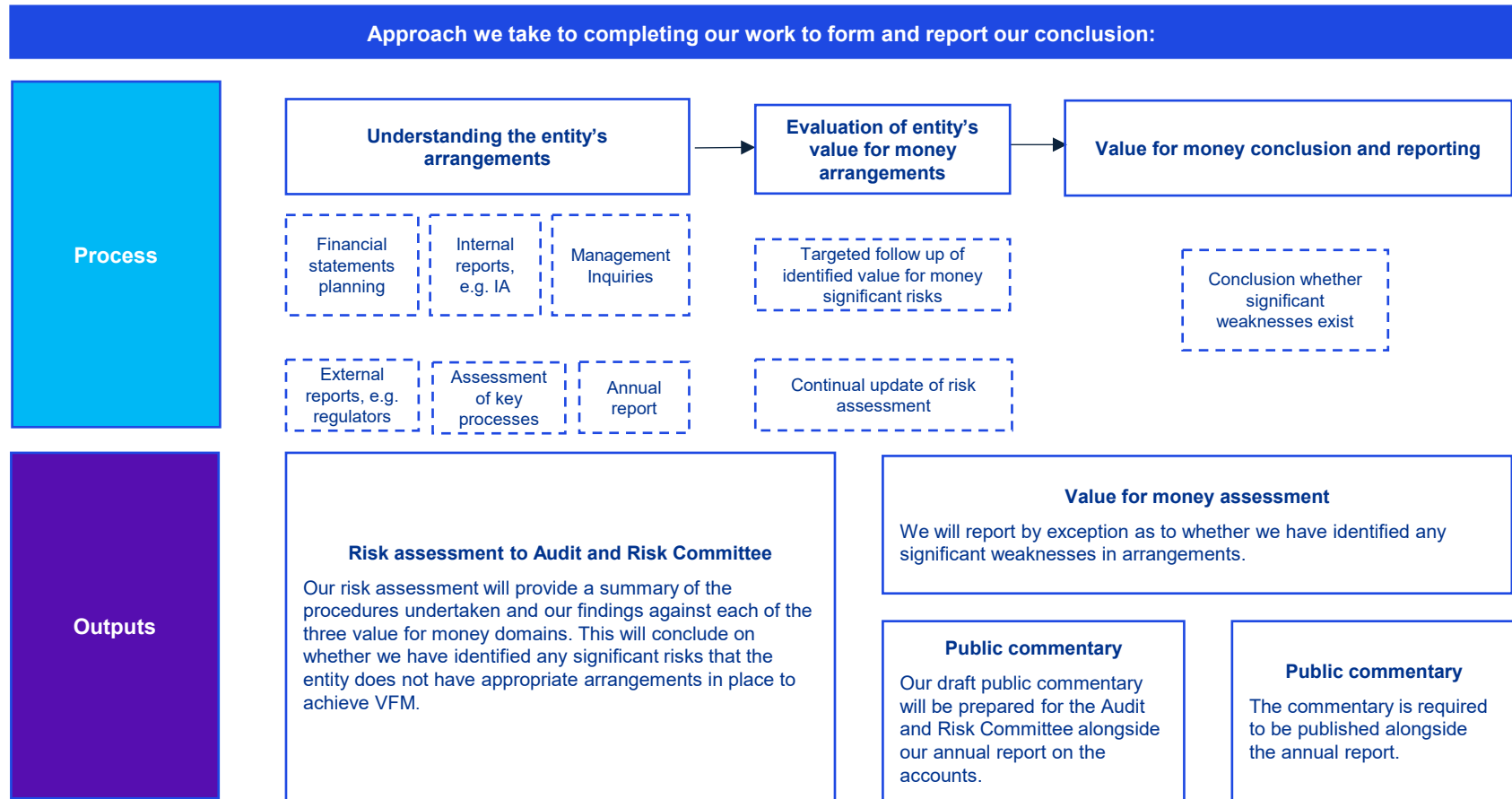
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

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Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

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Domain	Significant risk identified?
Financial sustainability	No significant risk identified
Governance	One significant risk identified
Improving economy, efficiency and effectiveness	One significant risk identified

As a result of our risk assessment, we have identified significant risks in the Governance and Improving economy, efficiency and effectiveness domains related to the content and issues raised in the Housing Ombudsman special investigation report.

Response to significant risk

The table below sets out the details of the risk that has been identified and the procedures we intend to perform in order to respond to the risk. We will report on our conclusion from these procedures as part of our year end report to the Audit and Risk Committee:

Description of risk	Procedures to be performed
As reported in the Governance and Improving economy, efficiency and effectiveness sections of this report - the Housing Ombudsman released its special investigation report into Islington Council which has identified significant issues regarding aspects of the Council's housing management and provision.	<p>We will perform the following procedures:</p> <ol style="list-style-type: none"> 1. Undertake a detailed understanding of the issues raised in the report, with the support of management, linking these to underlying arrangements at the Council. 2. Understand the extent of the impact on the core arrangements to secure value for money. 3. Understand the Council's response to the issues raised and progress made addressing issues impacting on the Council's arrangements. <p>Through this work we will assess whether there are any significant weaknesses in the Council's arrangements to secure value for money.</p>

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Budget setting

The Council's budget setting process follows a 'Budget Setting Timetable,' which outlines each step of budget preparation, assigning tasks to respective department leads and setting deadlines for task completion. This ensures a systematic and thorough approach to budget setting, involving multiple stakeholders and review processes to finalize the budget for the upcoming fiscal year.

Budget preparation kicks off in March when corporate management teams start discussions to assess budget gaps and pressures for their impact on the Medium Term Financial Strategy (MTFS). Following the Spring budget update, savings and budget growth request templates are circulated to the directorates in May for completion by Assistant Directors – Business Partnering.

Corporate Directors hold multiple sessions in July and August to discuss and agree on saving plans for each directorate. After finalization, saving plans are forwarded to the Corporate Management Board (CMB) for their review. Once finalized by CMB, budget papers with high-level saving details are submitted to the Finance Policy Group (FPG) for review. During this period, the Pension team also discusses and finalizes funding strategy principles for the next financial year.

By the end of August or early September, Assistant Directors – Business Partnering submit initial returns of the demography and non-pay inflation template to the MTFS team and further populate the savings schedule. Following finalization by FPG and the completion of Equality Impact Assessments (EQIA), savings options are signed off by the Chief Financial Officer by the third week of September. Similar deadlines are followed by directorates to submit budgeted fees and charges to the MTFS team.

In October, leadership meetings are held to review saving options before they are dispatched to FPG for a second review. The fees and charges schedule is also approved by the Executive team in October.

Value for money arrangements

Financial sustainability (Cont.)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Budget setting

In November, capital and Housing Revenue Account (HRA) budgets are submitted for incorporation into the MTFS. Additionally, a draft budget package is submitted to the Leading Group for review and sign-off by the end of November.

In December, a London Councils Leaders Committee meeting is held to discuss and agree on grants scheme proposals. The Collection Fund team shares taxbase estimates and forecasts for collection with the MTFS team in mid-December. Leadership holds a meeting before Christmas to review the 'Pre-settlement draft budget report,' and once finalized, the draft budget report is circulated to the Executive.

In early January, media briefings on budget proposals and statutory budget consultation meetings with business ratepayers are held. This is followed by draft budget consideration by the Executive and discussions on budget amendments by the MTFS team. By the end of January, a near-final budget report, including treasury management, capital, and investment strategies, is forwarded to CMB and the Executive for review in early February. The CMB also considers opposition budget amendments and provides comments on these proposed changes. The Mayor of London's draft consolidated budget is also published in February.

The final budget report is considered by the Executive in February or March for approval, and accordingly, revenue and capital budgets are uploaded to the financial system.

This was the process that was followed for the 2023/24 budget setting process which resulted in the Budget being approved by full Council on 2 March 2023. This process was also followed for the 2024/25 budget setting process which resulted in the Budget being approved by Full Council on 29 February 2024.

Value for money arrangements

Financial sustainability (Cont.)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Budget monitoring

The Council operate a quarterly Budget Monitoring cycle. The process starts with monthly budget review meetings at directorate level by Finance Business Partners with budget holders to assess budget pressures and savings position. These discussions then feeds into directorate level quarterly monitoring reports to explain budget position at each division and budget pressure for each key area. Directorate level reports then feeds into the Council's overall budget monitoring report for each quarter.

The Monitoring Report is well-structured and provides comprehensive summary of key budget variances. The report is supported by analysis of revenue position for each service area, reserve allocation, delivery status of saving plans and capital programme status. The report also contain separate analysis of reserves by type and it also discusses legal, environmental and equality implications of key budget variations. Further, the capital programme section of the report assess the budget position for each capital division and reprofiling of budget is discussed with reference to capital schemes. We have reviewed all four quarterly reports to ascertain this happened in 2023/24.

Budget outturn for 2023/24

For 2023/24, the Council's net General Fund (GF) position is an in-year budget overspend of £0.06m. This was an adjusted position taking into account a GF overspend of £12.35m offset by contingencies of £6.9m for inflation, energy and demand pressures and £5m of general corporate contingency. 2023/24 also included a contribution to GF reserves of £5m.

Efficiency plan

The savings identification and scrutiny process is undertaken as part of annual budget preparation process by each directorate. Saving templates are circulated to Assistant Director - Business Partner of each Directorate. Accordingly, this involves officer identification, detailed planning including Equality Impact and net zero carbon assessment.

Value for money arrangements

Financial sustainability (Cont.)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

Quarterly Budget Monitoring to Executive Board also covers the progress on Budget Savings. For 2023/24, the Council delivered savings of £7.581m against planned delivery of £10.995m. Partially offset by other variances of £0.2m, total undelivered savings amounted to £3.1m. Delays in savings delivery were mainly attributable services where the Council faced challenges of increase in demand and recruitment of specialist staff. Given the value of non-delivery is not significant, this is not identified as a weakness.

Reserves

The table below identifies the level of reserves held by the Council. We note there was a net contribution to General Fund reserves of £5m during 2023/24.

Reserves	2022/23	2023/24
	£000s	
General Fund	28,010	37,643
Earmarked General Fund Reserves	106,044	101,421
Total General Fund reserves	134,054	139,064
Housing Revenue Account	17,521	17,521
Earmarked HRA Reserves	31,504	44,170
Total HRA	49,025	61,691

Value for money arrangements

Financial sustainability (Cont.)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

2024/25 forecast and Medium Term Financial Strategy (MTFS)

The financial position for 2024/25 presented to the Executive meeting on 05 September 2024 for Quarter one shows Directorate overspends of £9.8m, although that is adjusted for Corporate items of £5m such as interest receivable increases and payable decreases which reduced the overspend to £4.8m leaving a total GF over spend of £4.8m which is being mainly met by the application of the Inflation, Energy and Demand Contingency.

The latest MTFS Summer update presented to Executive meeting held on 18 July 2024 indicates a net budget gap (after council tax increase, savings and precept) of £23m, £18.5m, £21.6m, £21.6m and £22.2m from 2025/26 to 2029/30 respectively.

We understand that the Council have processes in place to identify additional savings and other measures to reduce these gaps as in other years . We also note the level of reserves held by the Council. While we do not currently view these budget gaps as a significant weakness in the Council's arrangements, if funding gaps and spending pressures increase and / or if the Council encounters difficulties with its savings plans, alternative arrangements will need to be considered to manage these gaps and the Council's financial sustainability.

Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Risk management

The Council has a 'Risk Management Strategy and Framework' in place which covers key aspects of risk management including risk identification, categorisation of risk, risk assessment, risk evaluation and its monitoring. Risk assessment is performed at all three level of services, division and corporate / Board level. Risk evaluation is based on the impact and likelihood scoring of each risk. There is guidance available on grading/scoring for likelihood and impact for each risk level. Once risks are evaluated and assigned a score to the risk, it is plotted on a heat map for an overview of the total risk profile. Responding to a risk is referred as *4 T's approach* where based on the risk profile, action is planned as either to *Treat, Tolerate, Transfer* or *Terminate* the risk.

Risk information is documented in the risk register and the risk owner is responsible to monitor that action is taken forward and risk information is being monitored. Department and service level risk registers are reviewed on an ongoing basis with formal management reviews at least bi-annually. Principal risks are reviewed bi-annually (July and January) and are subject to annual update. We have reviewed these arrangements for 2023/24 and are satisfied they were operating.

Anti-fraud controls

The Council has comprehensive 'Anti-Fraud and Corruption - Strategy and Policy' in place, reviewed periodically by the Corporate Director of Resources and Internal Audit. The policy reminds employees of compliance with Corporate Framework (internal policies) in order to prevent fraud and corruption in the Council. It also provides guidance on nature and different types of fraud, corruption, bribery and money-laundering. Further, the policy clearly defines the reporting channels in the event of fraud/corruption and also the responsibilities of different functions e.g. line managers and Internal Audit. Internal Audit is responsible to investigate the reported fraud/corruption and take further legal / procedural actions as defined in the policy. Further, the risk of serious fraudulent activity is included in the Council's Principal Risk Report.

An 'Annual Fraud Report' is presented to the Audit and Risk Committee (ARC) every year. The report provide details of the counter-fraud activity carried out by Internal Audit (Investigations), Housing Investigations and Parking Investigations during the year. An 'Annual Fraud Report' was presented to the Audit and Risk Committee during 2023/24 in September 2023 and the latest report was made in the September 2024 meeting.

Value for money arrangements

Governance (Cont.)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Financial plan 2023/24 and budget monitoring

The Council's financial plan for 2023-24, as part of the MTFs, went through several levels of review prior to approval by the Council in March 2023. Financial performance, against the budget is regularly monitored as outlined in the Financial Sustainability section. As part of quarterly 'Budget Monitoring Report' to Executive, significant variances against budget are clearly identified and explained with reference to change in position. Any mitigating actions are also identified.

Compliance with laws & regulations

The Council's Monitoring Officer is responsible for monitoring compliance with all relevant/applicable legal requirements. As per Constitution, the Monitoring Officer, after consultation with the Chief Executive and Chief Finance Officer, will report to the Council if they consider that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

On 24 October 2023, the Housing Ombudsman released its special investigation report into Islington Council, looking at four key themes of disrepair, Anti-social behaviour, complaint handling and underlying cross-cutting issues for improvements based off its casework. In the report, the Ombudsman issued 89 findings across 30 determinations and assessed that the Council has a severe maladministration rate of 24.7% which is nearly four times the national average of 6.7%. As per the report, in every case concerning complaint handling the Ombudsman found maladministration, while the landlord's 83% maladministration rate for property condition was above the national average and the 94% for complaints about anti-social behaviour was far above the national average of 52%. Overall, the Ombudsman made 186 orders or recommendations. We also note that Secretary of State for Housing also wrote letter to the Council in October 2023, expressing his concerns following the Housing Ombudsman's special report.

These recommendations were mainly focused to formalise governance and oversight, improvement of services, staff capacity building, monitoring of operational services, addressing damp and mould issues, better repair and maintenance of properties and improvement of complaint handling mechanisms.

Value for money arrangements

Governance (Cont.)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Standards of behaviour

Part 6 of the Council's Constitution include 'Islington code of conduct for employees' which defines standard behaviour for staff members and general rules to be followed during employment.

The Whistleblowing Policy is part of the code where when an employee becomes aware of activities which that employee believes to be illegal, improper, unethical or otherwise inconsistent with the code, the employee should report the matter under the Council's whistleblowing policy. The policy also set out the protection available to employees who make disclosures and the protection available under the law.

The code also includes 'Conflict of Interest' policy under which senior employees are required to complete Declaration Interest Form within 28 days of taking up the appointment. The policy also provide guidance as general principal where employees needs to contact their line manager and complete declaration of interest form if they become aware of any conflict of interest during employment.

Decision making process

There are two types of key decisions: those made by the Executive and those taken by officers under delegation.

For Executive key decisions, the process involves several steps, including approval by the Corporate Director or Departmental Management Team (DMT), submission to the Commissioning and Procurement Board (if it's a procurement decision), approval by the Corporate Management Board, discussion at the Executive Member's Political Leadership Meeting, and submission to the Joint Board. The report may be amended before final approval by the Corporate Director and Executive Member, and then published for the Executive meeting.

For Officer key decisions, the process is similar but ends with the Corporate Director's final approval before submission to Democratic Services for publishing. Key decision reports undergo rigorous scrutiny at various stages, such as the challenge by the Commissioning and Procurement Board.

Value for money arrangements

Governance (Cont.)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

Reports must include a proposal synopsis, clear recommendations, background information, key considerations, financial, legal, and environmental implications, and an equalities screening tool with an EQIA if required. Procurement reports have additional sections on value, timetable, options appraisal, key considerations, evaluation, and business risks.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have identified a significant risk associated with governance, specifically arrangements over the governance and oversight over housing management. We have identified on page 5 the additional procedures we will perform as a result.

Further, below we have identified an improvement opportunity, which we will formally report in our year-end report for the audit. We note that it does not represent a significant weakness.

- During our review, we have noticed that the Council do not have formal tender waiver policy and as such do not maintain a tender waiver register. We would recommend that the Council should establish tender waiver policy and formalise documentation of contract exceptions to ensure greater transparency and compliance with the procurement rules.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Performance of services

The Council has established corporate performance indicators for each directorate to track the progress of its Strategic 2030 Plan. These indicators and targets are reviewed annually for relevance. Performance is monitored quarterly through Departmental Management Teams (DMTs), the CMB, and monthly through relevant Scrutiny Committees. This performance monitoring helps ensure progress in delivering key priorities while maintaining quality services. A collective approach is encouraged between directorates, leadership, and the central corporate performance function. DMTs use performance data to identify areas for improvement and inform business decisions, with oversight by the CMB and discussions between the Chief Executive and Corporate Directors.

OFSTED rated the Council children's services as "outstanding" in 2020 and have since conducted a focused visit in 2022 on the Council's arrangements for care leavers, which did not identify significant concerns related to the Council's arrangements.

We note our comments on page 5 regarding the Housing Ombudsman special investigation report into Islington Council, focused on four key themes of disrepair, Anti-social behaviour, compliant handling and underlying cross-cutting issues for improvements based off its casework. In the report, the Ombudsman issued 89 findings across 30 determinations and assessed that the Council has a severe maladministration rate of 24.7% which is nearly four times the national average of 6.7%.

Benchmarking

The Council assess its position against other London boroughs, or where appropriate to do so it reviews comparative nearest neighbours' data. The purpose of exercise is predominately focused on areas of high spend, or where the Council is an outlier. In terms of comparing school spend with other London Boroughs, the Council instigate this through the DSG group. The Council also has access to useful in-year data on the projected overspends of other London Boroughs through London Councils collating this on behalf of Treasurers.

This benchmarking comparison is then shared / discussed by directorate teams with respective Senior Leadership Team (SLT). Benchmarking helps to identify areas of potential savings at each directorate level and accordingly it then becomes part of saving plans and MTFS.

Value for money arrangements

Improving economy, efficiency and effectiveness (Cont.)

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

Partnership

The Council use benchmarking data for a variety of performance analysis e.g. evaluating the quality of services provided through different projects / departments. As an example, in September 2023, the Council used benchmarking to compare the performance of its directorates against different KPIs e.g. Recycling rate of Islington as compared to other inner London Boroughs and percentage of Carers in Islington receiving Social Care support as compared to London and overall England. Also, in March 2023, the Council carried out benchmarking for 'Tenant Satisfaction Measures' and compared its performance with different London councils and National Median for different measures e.g. Decent Homes Standard, repairs completed within time, complaints responded within time etc.

The Council has partnered with other London Boroughs and organisations on number of initiatives to support economic, efficient and effective delivery of public services.

Islington and Haringey Council jointly run 'Islington and Haringey Wellbeing Partnership' , a joint health and care initiative. Also the Council lead on 'Safer Islington Partnership' which includes the Police, London Fire Brigade and health sector to decide on priorities for tackling crime and develop strategies in response. '100 hours world of work' is another initiative by the Council to link local businesses with schools ensuring that all young people in Islington benefit from 100 hours experience of the world of work by the age of 16. For this, the Council is collaborating with Islington Community of Schools as well as a range of employers and partners in the Borough.

Monitoring of these partnerships is carried out by respective service directorates and reported to Scrutiny Committees / Boards.

Risk assessment conclusion

Based on the risk assessment procedures performed we have identified a significant risk associated with improving economy, efficiency and effectiveness in respect of aspects of the Council's housing services. We have identified on page 5 the additional procedures we will perform as a result.



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